

DEPARTMENT OF SOCIAL SERVICES

744 P Street, MS 19-74 Sacramento, CA 95814



March 6, 2003

FOSTER CARE RATES LETTER (FCRL) NO. 2003-03

TO: **ALL GROUP HOME REGIONAL CENTER (GH) PROVIDERS**
ALL FOSTER FAMILY AGENCY REGIONAL CENTER (FFA) PROVIDERS

SUBJECT: **APPLICATION/REQUEST REQUIREMENTS AND NOTICE OF
IMPORTANT CHANGES TO THE FOSTER CARE RATESSETTING
PROCESS**

Dear Provider:

This letter is to advise you of the requirements for submission of this year's application/request to continue your regional center GH or FFA program number. As you know, the program number allows a county welfare department to process payment for a child who is both foster care eligible and a regional center client (dual agency child). The monthly per child payment rate for a dual agency child is established by the California Department of Developmental Services (CDDS) and is set by the regional center district office in your area.

This letter also contains information about proposed legislation that would impose a biennial rate application requirement. **Please read this entire letter so that you will be aware of the changes affecting your responsibilities.**

PROPOSED LEGISLATION REGARDING BIENNIAL RATE PROCESS

Proposed statutory amendments to Welfare and Institutions Code (WIC) Sections 11462 and 11463 would change the requirements for submission of a group home program rate application and a foster family agency rate request from annually to once every two years (biennially). The changes in these statutes also allow the California Department of Social Services (CDSS) to establish a submission schedule by which providers will submit a biennial rate application/request in order to continue receiving a rate. Lastly, the legislation allows CDSS to develop regulations for implementation of the biennial process on an emergency basis.

It is anticipated that the legislation imposing these changes will take effect by April 1, 2003. Due to the WIC changes, it will also be necessary to revise some of the sections of the regulations regarding ratesetting contained in the Manual of Policies and Procedures (MPP) to implement the biennial rate process. The CDSS is currently drafting emergency regulations to take effect shortly after the passage of the legislation.

Notice of the emergency regulations will be provided via the regulation adoption process. In the interim, providers should continue to comply with existing ratesetting requirements.

The information below reiterates existing application/request requirements that are still in effect and also provides a summary of anticipated actions CDSS will take to implement the biennial requirement in the event this legislation is passed.

APPLICATION/REQUEST SUBMISSION SCHEDULE

Consistent with the proposed statutory changes, CDSS has developed an application/request schedule to implement the biennial submission requirement. Under this schedule, half of the GH and FFA regional center providers will have their application/request reviewed in one year and the remaining half in the following year. For GH and FFA regional center providers whose first 4 digits of their program number end in an odd number, submission of a biennial application/request will be in an odd-numbered calendar year (CY). Similarly, providers whose first 4 digits end in an even number will submit a biennial application/request in even-numbered CYs. The submission schedule that will take effect upon passage of the proposed legislation is as follows:

CY 2003	Odd-numbered programs;
CY 2004	Even-numbered programs.

EXAMPLE: Provider program number **3005**.02.01 is an odd number based on the last number of the first 4 digits of the program number. This provider would submit an application/request for each of its programs with the 3005 provider program number in odd-numbered years. A provider program number such as **2766**.05.01 is an even number which requires submission of a biennial application/request in even-numbered years.

A regional center provider with an odd program number will have the program number established for a two-year period and will not be required to submit a rate application/request until 2005. A provider with an even program number will have the program number established for a one-year period and will be required to submit an application/request in 2004 in accordance with the new biennial submission requirements.

Please note that because passage of these proposed statutory amendments are scheduled to occur at approximately the same time that the application/request is due, all providers are required to submit an application/request this year.

In the event that a regional center provider submits an application/request this year for which CDSS determines is unnecessary due to the biennial cycle, the application/request will not be reviewed, and will only be returned if the provider submits a self-addressed, stamped envelope for its return. However, the provider will receive a letter continuing the program number for another year. In addition, those providers will be required to submit an application/request next year. Providers will be notified in advance of the application/request submission due date for CY 2004.

APPLICATION/REQUEST DUE DATE

To ensure that there will be no disruption in payment for a dual-agency child placed in your FFA or group home program, a complete application/request must be submitted to the Foster Care Rates Bureau (FCRB). To be considered timely, the application or request must be postmarked on or before the due date.

The due date for an FFA regional center program number request is **April 1, 2003**.

The due date for a GH regional center program number application is **May 1, 2003**.

If the application/request is not received by July 1, 2003, your program number will be terminated and you will have to apply for a new program number.

COMPLETE APPLICATION/REQUEST

A complete application/request for a program number must be submitted for each group home and FFA program in operation. Please refer to the regulations contained in MPP Sections 11-402 et seq. and 11-403 et seq., and the instructions on the reverse side of each form when preparing the application/request. The instructions will assist you in completing the application/request package correctly. A complete application/request should include the following:

1. For a **GH regional center**, a "Group Home Program Rate Application" (SR 1).
For an **FFA regional center**, a "Foster Family Agency-Data and Certification Sheet" (FCR 1FFA).
(These forms must be completed appropriately, including the "Certification" section, and must contain an original signature.)
2. For a **GH regional center**, a copy of the Group Home Administrator Certificate issued by Community Care Licensing (CCL) for the program's administrator.

3. For a **GH regional center**, an approval letter from the Attorney General's (AG) Charitable Trust Section approving any self-dealing transactions for shelter costs. (Please see the section that follows entitled, "Self Dealing Transactions, Affiliated Leases for Shelter Costs.")

For all providers:

4. A copy of the current license issued by CCL for each facility or program, including sub-office licenses, whichever is applicable.
5. A copy of the most recent regional center rate and vendorization or contractual agreement letter(s).
6. If not previously submitted, a copy of the non-profit corporation's current tax exempt status letter from either the Internal Revenue Service (IRS) or the California Franchise Tax Board (CFTB) designating the organization as tax exempt.
7. If not previously submitted, an endorsed copy of the non-profit corporation's current Articles of Incorporation filed with the California Secretary of State, demonstrating the organization operates in the public interest for scientific, education, service or charitable purposes; is not organized for profit making purposes; and, uses its net proceeds to maintain, improve, or expand its operations.
8. A declaration that the program will operate during the fiscal year in the public interest for scientific, education, service or charitable purposes; is not organized for profit making purposes; and, uses its net proceeds to maintain, improve or expand its operations. Each member of the Board must sign the declaration, or in the alternative, a copy of the Board resolution declaring non-profit operation certified by the Board Secretary may be submitted.
9. A list containing the name, address, telephone number, and position of the current members of the non-profit corporation's Board of Directors.

NOTE: The requirements associated with the financial audit report have been changed. Please see the section that follows entitled, "Financial Audit Report."

Providers with Internet access can obtain the SR and FCR FFA forms online at the following address: www.dss.cahwnet.gov/cdssweb/On-lineFor_271.htm. Providers without Internet access can obtain a copy of the forms by contacting the FCRB. If using forms other than those available via the Internet, please ensure you are using the most current form revision (see MPP Section 11-406).

GOOD CAUSE REQUESTS

A provider who is unable to submit a complete application/request by the due date because of circumstances beyond the provider's control may submit a "good cause" request to extend the due date. Typical circumstances that constitute good cause include, but are not limited to, natural disasters and emergency medical situations (MPP 11-400g.(1)).

The procedures for submitting a good cause request are contained in MPP Section 11-402.371 for a group home and in MPP Section 11-403(l) for an FFA. **A good cause request should be submitted by a provider to the FCRB separately from the application/request and must be postmarked within 5 calendar days of the application/request due date.**

For a group home program, a good cause request must be **postmarked on or between April 26 and May 6, 2003**. (Please be aware that this year, April 26th is a Saturday, and the provider should take care to ensure that mail will receive a postmark on that date when depositing mail with the U.S. Postal Service.)

For an FFA, a good cause request must be **postmarked on or between March 27 and April 7, 2003**. (This year the fifth calendar day following the April 1 due date is April 6th, which is a Sunday. Therefore, the rate request is due the next calendar day, Monday, April 7th. The provider should take care to ensure that mail will receive a postmark within the allowed good cause request period when depositing mail with the U.S. Postal Service.)

The good cause request must contain a clear statement requesting good cause and include the specific reason(s) for submitting an incomplete or untimely application/request. The written request for good cause should also include the name, location and program number of the affected program; the name, address and telephone number of the provider; and, the name, address and telephone number of the contact person. Please be aware that good cause requests that are granted only extend the due date an additional 30 days from the postmark date of the FCRB's letter approving the good cause request.

Please also be aware that good cause requests should not be submitted and/or signed by a certified public accountant (CPA), state-licensed public accountant (PA) or consultant as it is the provider's responsibility to manage the operation of the program, be aware of all business transactions impacting the program, and to make good cause requests on behalf of the program.

TIMELINES AND PENALTIES

As previously stated, a complete regional center GH application or FFA request must be postmarked on or before the due date to be considered timely. An application/request

that is postmarked after this date and remains incomplete after July 1, 2003, will result in termination of your program number. Once a program number is terminated, a new program number can only be obtained by submitting a new, complete application.

**SELF-DEALING TRANSACTIONS, AFFILIATED LEASES FOR SHELTER COSTS
(Applicable to Group Home Regional Center providers only.)**

The requirements regarding self-dealing transactions and affiliated leases have not been changed by the recently passed or proposed statutory amendments. California Corporations Code Section 5233(a) defines a self-dealing transaction as a transaction to which the corporation is a party and in which one or more of its directors have a material financial interest. MPP Section 11-402.359 requires a group home program provider to obtain a letter of approval from the AG's Charitable Trust Section for any self-dealing transactions for shelter costs. The approval letter must be submitted with the group home application. The WIC requires that providers have all self-dealing transactions for shelter costs reviewed and approved by the AG's Charitable Trust Section. If the corporation previously was not a party to a self-dealing transaction for shelter costs, but has changed the composition of its Board of Directors since the previous year to include an individual with a material interest in any property leased by the corporation, a letter of approval must be obtained from the AG's Charitable Trust Section. It is strongly recommended that providers submit a request for a letter of approval to the AG's Charitable Trust Section by March 1, 2003 to receive timely approval.

FINANCIAL AUDIT REPORT (FAR)

Assembly Bill (AB) 444 (Statutes of 2002, Chapter 1022) amended WIC Section 11466.21 such that a FAR is no longer required as a component of any AFDC-FC application or request. However, a FAR is still required as a condition to receiving an AFDC-FC rate/program number. MPP Section 11-405.2 has been revised to address the changes to the financial audit process, including auditing standards for the provider to follow and the new due dates for FARs. The regulations containing the changes to the financial audit requirements can be accessed at the following website:
www.dss.cahwnet.gov/getinfo/pdf/f050111r2.pdf.

Beginning April 1, 2003, Office of Management and Budget Circular A-133 (A-133) standards will be required for a non-profit corporation that operates a group home and/or a FFA program which receives \$300,000 or more in combined federal funds for all of its programs and activities during the non-profit corporation's fiscal year. A non-profit corporation that meets the A-133 funding threshold (\$300,000 or more) will be required to submit a FAR in accordance with A-133 standards annually. A non-profit corporation whose fiscal year began prior to April 1, 2003, has the option to submit a

FAR in accordance with *Government Auditing Standards* or A-133 standards. Subsequent audits, however, will be required to meet the new A-133 standards.

In accordance with WIC Section 11466.21(a)(2), a non-profit corporation that is exempt from the A-133 standards (less than \$300,000) will be required to submit a FAR once every three years. *Government Auditing Standards* (Yellow Book) will continue to be the audit standard for those group home and FFA non-profit corporations that receive less than \$300,000 in combined federal funds. On November 6, 2002, the CDSS sent a notice to each non-profit corporation identified as receiving less than \$300,000 (based on previous FARs submitted) advising them of the date that submission of the FAR is required for the first triennial period.

For all financial audits conducted, the audit must now also include cost data as reported on the December 2002 version of the Group Home Program Cost Report (SR 3) www.dss.cahwnet.gov/pdf/SR3.PDF, Group Home Program Payroll and Fringe Benefit Report (SR 4) www.dss.cahwnet.gov/pdf/SR4.PDF, and Total Program Cost Display (FCR 12FFA) www.dss.cahwnet.gov/pdf/FCR12FFA.PDF. For those non-profit corporations whose fiscal year began prior to April 1, 2003, audited cost data will not be required to be submitted with the FAR. These non-profit corporations will be required to submit unaudited cost data with the FAR. However, in subsequent years the cost data must be audited.

A non-profit corporation should engage a CPA or PA well enough in advance of the due date to allow sufficient time for completion of the audit. Most accountants will need at least three months to complete the audit. The California Board of Accountancy can be contacted for licensure status and general information about selecting a CPA or PA by accessing their website at www.dca.ca.gov/cba or by calling (916) 263-3680.

Although some non-profit corporations are not required to submit FARs every year, each non-profit corporation must maintain appropriate financial records at all times. MPP Section 11-402.52 requires providers to maintain program records for a minimum of five years. In addition, a non-profit corporation is responsible for preparing financial statements in accordance with Generally Accepted Accounting Principles, while the CPA or PA is responsible for auditing the financial statements and issuing an opinion on the statements. In order for the CPA or PA to complete the financial audit for the year required and to avoid issuing a "disclaimer of opinion", the non-profit corporation must provide the CPA/PA with complete and accurate financial documents.

AB 444 also amended WIC Section 11466.21(c) to allow group home and FFA non-profit corporations that receive less than \$300,000 and that meet other eligibility criteria to apply for and receive partial reimbursement of the costs of the financial audit. To apply for financial assistance related to the cost of the FAR, the non-profit corporation must submit to CDSS an acceptable FAR and any other relevant documents needed to validate the claim for reimbursement. Failure to submit all required documentation timely may result in the inability to provide reimbursement for

the claim since funding for financial audit cost reimbursement is limited and allocated on an annual basis in the State Budget Act.

Please note that it is imperative for each non-profit corporation to submit a FAR which meets appropriate A-133 or *Government Auditing Standards*. A non-profit corporation that fails to submit an acceptable FAR by the required due date is subject to rate termination pursuant to MPP Section 11-405.219.

Further guidance and details on the revised financial audit requirements will be provided soon. In the interim, should you have any questions regarding the financial audit process or the due date for your non-profit corporation's FAR, please contact the Financial Audits and Investigations Bureau at (916) 274-0445.

WHERE TO SEND APPLICATIONS

A complete application or request should be mailed to:

California Department of Social Services
Foster Care Audits and Rates Branch
Foster Care Rates Bureau
744 P Street, M.S. 19-74
Sacramento, CA 95814

If you have any questions about the application or request process or forms, please contact your Foster Care Rates Consultant. For any questions about the financial audit report, please call the Financial Audits and Investigations Bureau at (916) 274-0445.

Sincerely,

Original signed by

SHEILAH DUPUY, Chief
Foster Care Rates Bureau